

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D.C. 20554

Comments re)	
)	
A LA CARTE AND THEMED TIERED)	MB Docket No. 04-207
PROGRAMMING)	
)	

**Comments of the City Of Seattle, Department of Information Technology,
Office of Cable Communications**

The City of Seattle, through its Department of Information Technology, Office of Cable Communications (OCC), submits these comments in response to the FCC's Public Notice, dated May 25, 2004, requesting comments on a la carte and themed tier programming. The OCC's comments will focus on a la carte and themed tier programming from a local, Seattle perspective.

I. Introduction

Seattle applauds the FCC's efforts to explore the impact that a la carte and themed tier cable programming may have on rates and other matters. To assist the FCC's efforts, these comments provide information and quotes related to a la carte programming received from Seattle cable subscribers. The comments are based on 2004 survey results from both a statistically valid telephone survey, conducted by Pacific Market Research, and a web-based survey developed by Seattle's OCC and placed on the OCC's website at <http://www.seattle.gov/cable/>. The surveys were conducted for the purpose of ascertaining community needs and interests during a Comcast franchise renewal process.

II. Consumers Want Choice

Pacific Market Research polled approximately 1,000 randomly selected Seattle citizens. Cable subscribers were asked how likely they would be to pay a little extra for the opportunity to make up their own package of channels, in addition to paying for basic cable service. Forty-six percent (46%) of the telephone survey respondents indicated that they would be very likely or somewhat likely to pay a little extra for such a service. In response to the survey posted on the OCC's web site, an even higher percentage, 66% of the over 600 respondents, were either likely or very likely to choose the a la carte option if made available. The OCC believes that the survey results in Seattle, which clearly indicate that a high percentage of the population wants choice and would be willing to pay for the ability to customize their channel selection, echo the voice of consumers nationwide. This is not to say, given the ever rising prices of cable television service, that consumers would be willing to pay a higher total package cost for their cable services. The OCC believes that giving subscribers the opportunity to customize their own packages would actually lower the overall cost of their cable service.

According to a 2004 report by the Consumer Federation of America, the average consumer watches about 17 channels regularly, but the bundles offered by cable operators contain four times that number, and the top twenty shows account for approximately three quarters of all viewing.¹ Rather than offering customers the ability to choose only the channels they want to watch, cable operators offer bundles which force customers to pay for channels they do not want. Seattle cable subscribers have voiced their concerns over these issues through comments submitted to the OCC's web-

¹ *The Continuing Abuse of Market Power by the Cable Industry: Rising Prices, Denial of Consumer Choice, and Discriminatory Access to Content*, Consumer Federation of America, February, 2004, pp. 21.

based survey. Approximately 100 a la carte related comments were received from the over 600 respondents to Seattle's web-based survey without even being prompted to comment specifically about a la carte programming. Respondents were asked for comments on how their cable operator could better serve them and for comments regarding future cable and Internet needs. The overall theme of the a la carte related comments received in response to these survey questions was that Seattle consumers do not want to pay for channels they do not watch. They want the ability to select their own channels. A small sample of these comments is provided in Attachment A

Comments from Seattle survey respondents clearly indicate that consumers are tired of having to pay for channels that they perceive to have little or no value to them. Rogers Communications Inc., Canada's largest cable company, offers a potential solution for addressing this issue. Rogers offers a 30-channel analog basic package for about \$24 per month (Canadian dollars). If subscribers also lease a digital box for \$8.95 per month, they have the option of purchasing one to thirty channels for an additional cost. The OCC encourages the FCC to examine the Canadian a la carte model and believes that some form of this model should be made available in the United States to meet the ever increasing demand for consumer choice of cable programming.

III. Cable Services are Too Expensive

Seattle cable subscribers believe that cable television service is too expensive. In response to survey questions regarding how subscribers feel about the price of cable television, 64% of all telephone survey respondents and 80% of all respondents to the web-based survey indicated that rates for television service are too expensive. In addition, survey respondents who did not subscribe to cable television service were asked

to check off reasons for why they did not subscribe. Thirty-six percent (37%) of telephone survey respondents and 27% of respondents to the web-based survey indicated that the reason they did not subscribe was because of the price of the service or that the service is too expensive. A la carte or themed tier programming may be the key to making cable services more affordable. This valuable and increasingly necessary communications medium should be available and affordable to all citizens.

From another perspective, sometimes a consumer's perception of how "expensive" something is depends on their perceived value of the service. Although the debate about a la carte programming seems to have centered on whether or not the offering of a la carte or themed tier cable programming would increase or decrease the overall cost of cable television services for consumers, the OCC believes that some consideration should be given to whether consumer perception that the cost of cable service is too expensive would change significantly if a choice of programs is offered. As stated in a report of the Consumer Federation of America, "[c]able operators give consumers almost no choice. Essentially cable consumers have three choices – take nothing, take almost nothing (basic), or take almost everything (expanded basic)."² If cable subscribers are given the ability to select their programs, giving them at least some control of the total cost of their cable television package, they would likely be more satisfied, even if it meant paying more per channel than they currently pay. Also, having the option to select only a few channels, possibly in addition to paying for a minimum service tier, would likely encourage nonsubscribers who believe the service is too expensive to subscribe to cable television service.

² *The Continuing Abuse of Market Power by the Cable Industry: Rising Prices, Denial of Consumer Choice, and Discriminatory Access to Content*, Consumer Federation of America, February, 2004, p. 20.

IV. Conclusion

In summary, consumers want the ability to have more choice in selecting cable programming. Because cable operators have not been responsive to the demand for customized programming, the FCC should establish regulations that facilitate consumer choice, whether this is accomplished by requiring cable companies to offer a la carte programs, theme tiered programs, or some other option. Consumers that want to lower their overall cost of cable services should be able to do so without giving up their favorite channels, and consumers that simply want choice to increase the perceived value of their cable service should have that option.

Dated: July 6, 2004.

Respectfully submitted,

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ATTACHMENT A.
SAMPLE COMMENTS FROM THE SEATTLE OFFICE OF CABLE
COMMUNICATIONS WEB-BASED SURVEY

The sample comments from Seattle residents are responses to the following questions on the Seattle Cable Television & Internet Survey which can be found at <http://www.seattle.gov/cable/>:

#26. Please let us know if you have any suggestions regarding how Comcast could serve you better.

#46. Please provide any comments you may have regarding future cable and Internet needs for Seattle citizens.

SAMPLE A LA CARTE COMMENTS

I'd like a choice of companies and to be able to subscribe to individual channels, rather than "channel packages" determined by someone else. And I don't mean HBO, etc. I mean the ability to choose each channel and pay only for those.

There should be a choice of individual channels for each household based upon a set price with the availability to add additional channels for a small fee.

I would like more options for cable packages. I have heard that cable prices are so expensive due to channels such as ESPN. I don't typically watch ESPN, but it is not an option to receive cable without ESPN. If I could create a cable service with only the channels I wanted to watch - I would be happier with my Cable Service.

Cable options should not come in a package which includes far more junk stations than I am interested in. Let me chose and pay for what I want rather than pay for packages which have stations I don't want. Satellite dishes appear to have more flexibility and may be a better deal.

I don't care one whit about sports channels or shopping channels - what I want is "cafeteria-style" selection, so that I can select & pay ONLY for the channels I want: I don't want to have to pay for a lot of channels about which I could care less - I should be able to choose & pay a reasonable monthly fee for ONLY the channels I want.

We need more CHOICE, above & beyond the relatively few packages currently offered. Many people like me couldn't care less about sports channels or shopping channels - and I resent having to pay for so much of this stuff to get the few channels I DO want. Ideally, I would like to be able to "Build My Own Package" & pay ONLY for the channels I want - one size does NOT fit all when it comes to viewing choices. Comcast needs to step up to the plate & quit patting itself on the back about how great

Comcast is & "we offer so many choices", etc., etc., etc., - & REALLY meet the needs of ALL of it's customers.

I would like a package with fewer programs at lower cost. We would do fine with about 10 channels. There is so much JUNK - I can't imagine who watches most of the stuff. Also, the cost is outrageous. We must take Expanded Basic in order to get a couple of the special interest channels we enjoy but along with it comes a ton of trash we never access.

Cable access needs to be more customized. I would like to have more than basic service, but I'm not willing to jump from 12 to 40 dollars. I want choice, not dictation. Right now cable networks are driving how packages are developed. It should be the consumers who drive the service.

Offer each channel beyond channel 11 a la carte at a minor fee (take monthly charge, divide by number of channels now in expanded service, and double that amount to create fair pricing) !!!!

Would really prefer to make my own customized viewing package instead of paying for Comcast's pre-bundled packages.

A la cart programming!! I only watch about 10 channels, but need premium packages to get them all.

I like the idea of being able to choose the programs we subscribe to (expanded basic cable), instead of having no choice and being charged ever increasing rates for "additional" channels we are not interested in.

I want to select the channels available in my home in a custom package. I am on basic because I refuse to subsidize ESPN and Fox News and other channels that I never watch. I hate the unilateral decisions that Comcast has made in the past regarding compelling me to pay for Disney and replacing an interesting channel with the food network. Etc. Let me choose!!

We pay \$39.00 for basic cable. We only watch about five of those thirty channels. We do not want to pay for what we do not watch. I was told several times by several people at Comcast & AT&T that we can not add or delete channels from our packages that we must buy the packages being forced to pay for something we do not want. My favorite show was moved from ABC to HBO and in order to watch it, it will cost \$26.00 more. With internet that's \$110.00 per month. I believe you should be able to choose the channels you want to watch and only pay for those channels. Cable has become a necessity as the local stations.

Make on line ordering of channels that allow customer to make own personal channel list - give the customer a check off list of all channels and let customer pick...with a certain # of channels for a specific price per month. This would allow customer to eliminate channels that are junk and keep and pay for only the ones the customer wants to watch. A present you can't delete the junk channels that come with any of the packages.